



# MOTOR FUEL TAX SECTION

**Alan Woodard**  
**Director, Examination Division**

**March 9, 2012**

# OVERVIEW

- Transition of Motor Fuel auditors to Examination division
- Streamlined reporting structure
- Audit initiatives
- Performance expectations
- Performance tracking
- Comparative statistics
- Strategy for upcoming fiscal year

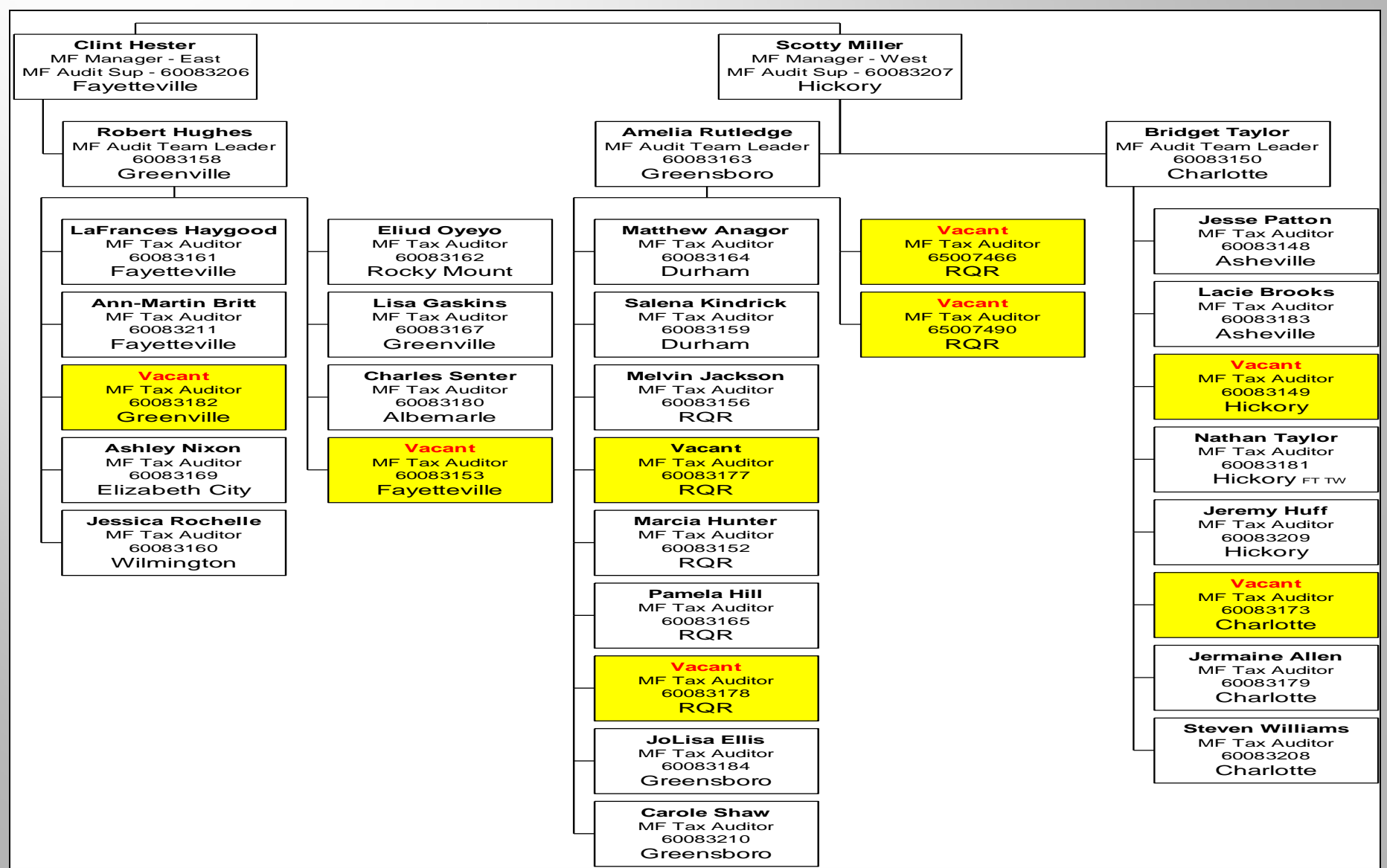
# **MOTOR FUEL SECTION**

- 33 Motor fuel auditors transitioned to the examination division May 1, 2011
- Motor Fuel section created within exam division
- Motor fuel tax auditors primary objective as of May 1, 2011
  - Identification of motor fuel tax non-compliance
  - Recovery of lost revenue as a result of non-compliance
  - Conduct audits in accordance with IFTA and IRP agreements

# MOTOR FUEL SECTION

- Scope of examination of taxpayer records are limited to tax issues involving
  - International Fuel Tax Agreement (IFTA)
  - International Registration Plan (IRP)
  - Gasoline
  - Diesel
  - Blends
  - Alternative fuels

# IMPLEMENTATION OF STREAMLINED REPORTING TO ENHANCE AUDIT EFFICIENCY



# MOTOR FUEL SECTION

- **Primary Audit Initiatives**

- **Diversion**
  - **Fuel TACS**
  - **IFTA**
  - **IN**
  - **Transporter**
  - **Retailer**
  - **Refund review**
- **General auditor selection**

# MOTOR FUEL SECTION

## Performance Expectations

- **Modified Performance Evaluation Plan (PEP)**
  - 120-day audit calendar of work
  - Target collectible assessments
  - Target direct audit hours
  - Audit selection within primary initiatives
  - General audit selection of taxpayers not in voluntary compliance

# **MOTOR FUEL SECTION**

## **Performance and Results Tracking**

- **Track/analyze statistics as a Section and for Individual performance**
  - **Direct audit hours**
  - **Number of completed audit cases**
  - **Total Assessments**
  - **Assessments and direct audit hours by initiative**
  - **Number of audit cases in progress**
  - **Return on Investment as a Section**
  - **Individual Return on Investment**



# MOTOR FUEL SECTION

Period May 1, 2010 through April 30, 2011

- 392 completed audits
- \$1,140,115 assessments
- \$0.85 Return on Investment
- Return on Investment (ROI) is calculated:
  - $ROI = \text{Net Assessments} / (\text{salaries} + \text{expenses} + \text{benefits})$

# MOTOR FUEL SECTION

Period May 1, 2011 through January 31, 2012

- 904 completed audits
  - increase of 512 completed cases
- \$3,993,118 assessments
  - increase of \$2,852,058 in assessments within 9 months
- \$2.98 Return on investment
- 9 month period
- Return on Investment (ROI) is calculated:
  - $ROI = \text{Net Assessments} / (\text{salaries} + \text{expenses} + \text{benefits})$

# **MOTOR FUEL SECTION**

## **Forward Strategy**

- **Reduce auditor staff from 33 tax auditors to 25 tax auditors**
- **Prioritize audit selection criteria based on non-compliance**
- **Analyze and/or modify primary audit initiatives**
- **Implement new audit initiatives**
- **Implementation of computer assisted audit tools**



# MOTOR FUELS INVESTIGATIONS SECTION

**Jocelyn Andrews**  
**Director, Tax Enforcement Division**

**March 9, 2012**

# **MOTOR FUELS INVESTIGATIONS OVERVIEW**

- **Movement of certain audit functions back to Examination Division**
- **Focus on investigations**
- **Comparative statistics**
- **Strategy for upcoming fiscal year**

# **MOTOR FUELS INVESTIGATIONS**

- 11 Motor Fuels Investigators moved to Tax Enforcement Division in 2009
- Motor Fuels Investigators primary objective as of July 1, 2011
  - Identification and investigation of motor fuel tax non-compliance
  - Recovery of lost revenue as a result of non-compliance
  - Increase deterrent effect for those who wish to circumvent the motor fuels tax system

# MOTOR FUELS INVESTIGATIONS

- Salaries and expenses funded by 1/4¢ Inspection Tax
- Investigations
  - On-Road (with other agencies including IRS, NCSHP)
    - IFTA Blitz
    - Red Alert
    - Sting Operations
  - Off-Road
    - Retail Inspections
    - Site Inspections
      - Farms
      - Logging Operations
      - Construction Sites
      - Landscapers

# MOTOR FUELS INVESTIGATIONS

Period July 1, 2010 through June 30, 2011

- 19,982 completed inspections/audits
- \$412,887 assessments
- \$0.71 Return on Investment
  - $\text{ROI} = \text{Net Assessments} / (\text{salaries} + \text{expenses} + \text{benefits})$



# MOTOR FUELS INVESTIGATIONS

Period July 1, 2011 through January 31, 2012

- 9,718 inspections
  - Increase of 640 from previous year same seven month period
- \$359,650 assessments
  - Increase of \$113,595 in assessments for previous year same seven months
  - Increase of 46% for the previous year same seven months
- Conducted with one less investigator
- \$1.26 Return on investment
  - $\text{ROI} = \text{Net Assessments} / (\text{salaries} + \text{expenses} + \text{benefits})$

# MOTOR FUELS INVESTIGATIONS

## Forward Strategy

- Reduction of staff to 7 investigators
- Prioritize investigations based on most egregious areas of non-compliance
- Improved tracking through automation